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## A Custom Solution in an Off-the-Rack Market

| By [Paul Bubny](#)

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NEW HAVEN, CT—“The single-family rental business has changed dramatically over the past seven or eight years,” says Shawn Henry, senior EVP and head of A10 Capital’s SFR business unit, launched this past October.



“The days of large buyers sweeping up thousands of foreclosed properties across the country are over,” says A10’s Henry..

“A10 understands that there are more local landlord owners who buy and assemble portfolios over time,” he continues. “They need a customized loan product that supports incremental growth through a series of transactions, rather than one large, institutional-style financing.”

The SFR business unit offers investors bridge and non-recourse permanent loans from \$500,000 to over \$20 million for portfolios with a minimum of five properties. The team includes originators, underwriters, and in-house counsel who are experienced in SFR lending, in many cases having owned rental properties themselves. Origination volume for the program increased 181% between the first and second quarters of this year.

As a case in point, A10 recently closed a multimillion-dollar loan program to finance 10 or more SFR properties in the New Haven, CT area. The middle-market lender is providing Reichman Brodie Real Estate LLC funding through A10's Aggregating Permanent Loan facility.

Specifically, A10 will release a first-round funding of \$830,000 to finance the acquisition of three multi-unit residential homes and the recapitalization of two other residential properties which Reichman Brodie already owns and has already renovated, representing a total of 13 single-family units serving the New Haven rental market. Over the next 12 months, A10 expects to finance at least five additional properties for the borrower through this facility.

The borrower, Reichman Brodie managing partner Barnett Brodie, uses a tailoring analogy to explain how working with A10 has been different from his experience with other lenders. "It's the difference between a custom-made suit and the suit off the rack," he tells GlobeSt.com.

When a borrower approaches most other lenders for funding in the SFR space, says Brodie, "They'll send you their loan documents and say, 'this is our product. Either fit into the seat or get off the plane.' That's the end of the conversation. The Investor has to figure out how to mold himself into their product. A10 showed up and said, 'Let's have a conversation. Tell me about your business. What can we do better?'"

Brodie has amassed a portfolio of more than 80 rental properties over the past years, valued at over \$25 million. When he began putting the portfolio together, institutional investors were very active in the sector; they took advantage of the elevated foreclosure rates following the collapse of the housing market in 2008 to acquire hundreds of bank-owned properties at a clip.

"When I started out, there was a tremendous amount of foreclosures," he recalls. "Some of the bigger investors were negotiating with the banks in order to buy the actual notes. But most of the Investors were waiting for the short sales to come on the market, waiting for them to go into foreclosure and buy them directly from the bank. And there were so many of them that the prices were greatly reduced."

In common with the SFR REITs then active in the marketplace, "We were busy," says Brodie. "We were buying at rapid rates. Every day there were new foreclosures coming on; there was enough for everyone. Over time, the market rebalanced, and the well dried up."

Today, he says, "There's just a normal flow of business where the experienced investor can pick up a healthy amount of new acquisitions per year, without having too much of an issue," He adds, though, "Ten or 12 of these investments isn't enough to keep the larger guy happy." Accordingly, A 10 is gearing its SFR platform toward a maturing market and smaller investors.

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